

## **PKF ANNUAL GOVERNANCE REPORT 2009/10 UPDATE OF RECOMMENDATIONS**

### **1 SUMMARY**

- 1.1 Recommendations from the Audit Commission, external auditors, and inspectors are monitored by Internal Audit and their review falls within the discretion of this Committee.

### **2 INTRODUCTION**

- 2.1 This report draws Members' attention to the recommendations from the "Annual Governance Report, 2009/10".
- 2.2 The Council's external auditors, PKF, presented this report to the Audit Committee on 29 September 2010.

### **3 EXTERNAL AUDIT RECOMMENDATIONS**

- 3.1 The recommendations and management responses arising from the report have been included as appendix 1, together with progress to date.

### **4 RECOMMENDATION**

- 4.1 It is proposed that the Committee **RESOLVES**

That the monitoring sheets for the external audit recommendations be agreed.

Yvonne Woodward

Head of Finance

---

#### **Background Papers:-**

None.

For further information please contact Jim Kevany (Principal Auditor) on:-

Phone: 01702 546366 Extn 3213

Email: [james.kevany@rochford.gov.uk](mailto:james.kevany@rochford.gov.uk)

If you would like this report in large print, Braille or another language please contact 01702 318111.

**MONITORING PROGRESS OF RECOMMENDATIONS RAISED IN ANNUAL GOVERNANCE REPORT, 2009/10**

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
<b>ACCOUNTING PRACTICES AND FINANCIAL REPORTING</b>					
The Council has had Dimensions (its financial ledger system) in place since 2006/07. However, its full capability is not currently being utilised. Instead the Council is using a number of Microsoft Excel spreadsheets to manually amend the output from Dimensions at year end, increasing the risk of material misstatement due to human error.	1. Utilise the full potential of Dimensions by including all transactions required for the preparation of the financial statements within it, or consider replacing the financial ledger system.	High	<p>Progress on this had been held up because of staffing issues. It will continue to be developed for 2010/11 accounts.</p> <p>Update March 2011 Work is progressing and will be in place within the Final Accounts</p> <p><b>Update July 2011</b> Accounts are fully system generated</p>	Financial Services Manager	<p>July 2011</p> <p><b>IMPLEMENTED</b></p>

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Testing carried out on the Cash and Bank balance identified that the Council held an Alliance and Leicester Account with a balance of £170.09 which was not disclosed as a cash and bank balance, but rather as a creditor. Although trivial, this practice is not compliant with financial reporting standards and could result in a nontrivial error in future years.	2. Disclose all amounts in current bank accounts as bank and cash balances, ensuring that all are reconciled to the financial ledger at year end.	Medium	<p>Accepted.</p> <p>This account is a holding account for Giro-bank payments and the balance is paid over to Rochford District Council's bank account on receipt of the bank statement. Only about 16 council tax payers use the account during the whole year and the balances at the end of the last 3 years have been below £2,000; and bearing in mind the figures in the accounts are quoted to the nearest £1,000, we consider there is a low risk of a non-trivial error.</p> <p><b>Update July 2011</b> Included in Working Papers and a process is in place to assess whether it is trivial or not.</p>	Financial Services Manager	<p>July 2011</p> <p><b>IMPLEMENTED in line with context of conclusion</b></p>

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
<p>The valuation instructions given by the Council to Savills, its external Valuer, did not request a review of the reasonableness of estimated residual useful economic lives. This increases the risk of inappropriate useful economic lives (UEL) being used in accounting for fixed assets which could lead to material misstatement of the financial statements.</p>	<p><b>3.</b> Instruct the Valuer to give a view on the reasonableness of the useful economic lives of assets being subject to revaluation.</p>	Medium	<p>Accepted.</p> <p><b>Update July 2011</b> Our contract with Savills ended as per last March therefore although they produced the report required for this year end accounts, they were not instructed as at this year end and therefore won't provide the assurance.</p> <p>This has been referred to our new valuers and they may help if required.</p> <p><b>Update August 2011</b> External Audit accepted the letter from Savills on most of the UELs. Savills emailed to confirm the others. Awaiting acceptance from External Auditor.</p>	Financial Services Manager	<p>May 2011</p> <p><b>IMPLEMENTED</b></p> <p>Subject to PKF agreement</p>